

PROCEDURAL HISTORY

This proceeding was commenced on March 23, 1998 when the Commission issued a Notice of Investigation in Docket No. 97-596 pursuant to 35-A M.R.S.A. § 3208(8). Re Bangor Hydro-Electric Company, Docket No. 97-596, Notice of Investigation (Me. P.U.C. March 23, 1998). The purpose of the proceeding was to establish Bangor Hydro's stranded costs and unbundled transmission and distribution rates beginning March 1, 2000, the date retail access is set to commence in Maine. On May 20, 1998, the Bench granted the petitions to intervene of the following parties:

- Office of Public Advocate ("OPA"),
- Industrial Energy Consumer Group ("IECG"),
- Great Northern Paper, Inc.,
- Central Maine Power Company ("CMP"), and
- Ralph Coffman, individually and on behalf of the Independent Party of Maine.

As directed by the May 20, 1998 Order, the Company submitted prefiled testimony on July 24, 1998, from the following witnesses:

- Kenneth D. Belcher, regarding transmission costs and FERC jurisdiction (amended August 11, 1998)
- David R. Black/Peter E. Dawes, regarding cost separation study, T&D and stranded cost revenue requirements (amended August 14, 1998)
- Roger D. Cooper, regarding sales forecast
- Jeffrey A. Jones, regarding adjustable stranded power costs (redacted and unredacted) (amended August 14, 1998)

- Dr. Robert D. King, regarding income taxes (amended August 14, 1998)
- Carroll R. Lee, regarding mitigation of stranded costs, pricing flexibility and FERC jurisdiction
- Mathieu A. Poulin, regarding weighted cost of capital and attrition (amended August 14, 1998)
- Robert A. Strong, regarding cost of equity
- Alan S. Taylor, regarding sale of Veazie generation site
- Kenneth D. Belcher/John B. Wagner, Jr./Jeffrey M. Wood, regarding rate design (amended August 14, 1998)

Following written discovery, a technical conference was held on the Company's case on September 22 & 23, 1998. On September 30, 1998, the Company filed with the Commission its Embedded Cost of Service Study dated September 29, 1998.

On or about October 2, 1998, the prefiled testimony of the Intervenor was submitted to the Commission. This included the testimony of Jeffrey M. Martin on behalf of Great Northern Paper, Inc. regarding contracts with non-core customers; Richard H. Silkman, PhD on behalf of IECG regarding rate design issues; as well as the following witnesses on behalf of the OPA:

- Steven Anderson, regarding marginal costs analysis and rate design
- Richard A. Baudino, regarding cost of capital
- Randall J. Falkenberg, regarding adjustable stranded costs
- Lane Kollen, regarding revenue requirements

Following discovery, a technical conference regarding the Intervenor testimony was held on November 4, 5, and 6, 1998. On November 5, 1998, OPA consultant, Steven Andersen filed supplemental direct testimony.

On November 21, 1998, the Company filed the rebuttal testimony of Kenneth D. Belcher/Jeffrey M. Wood/John B. Wagner, and Dr. Robert A. Strong. On November 25, 1998, the Company filed the rebuttal testimony of David R. Black/Peter E. Dawes, Jeffrey A. Jones, Robert D. King (as amended on November 30, 1998 and supplemented on February 2, 1999), Carroll R. Lee (as supplemented on February 2, 1999), Mathieu A. Poulin, and Alan S. Taylor (redacted and unredacted). In addition, rebuttal testimony was filed by OPA consultant Steven Andersen.

On December 1, 1998, the Company filed the confidential rebuttal exhibits of David R. Black/Peter E. Dawes, Jeffrey A. Jones, and Robert D. King. On December 9, 1998, the Company filed additional confidential supplemental rebuttal exhibits for Robert D. King. Following discovery, a technical conference with regard to the rebuttal testimony was held on January 28, 1999 and February 4, 1999.

On March 30, 1999, the Company filed a Request for an Accounting Order for electric utility restructuring costs, together with the prefiled testimony and exhibits of Carroll R. Lee. Although the case was initially assigned Docket No. 99-209, the Bench on April 8, 1999 issued an Order consolidating that case with this investigation. On May 5, 1999, a combined technical conference on this case and the ARP case (Docket No. 99-097) was held.

On April 20, 1999, the Commission issued an Order permitting the Company to provide an update of its case prior to the filing of the Advisory Staff's Bench Analysis.

The Update was permitted in recognition of unanticipated delays in the case schedule pending the Commission's decision in the CMP "mega-case" in Docket No. 97-580.

On May 7, 1999, the Company filed the updated testimony of David R. Black/Peter E. Dawes, Jeffrey A. Jones, Robert D. King, and Carroll R. Lee. On May 12, 1999, the Company filed the corrected updated testimony of Mathieu A. Poulin. On May 14, 1999, the Company filed the corrected updated testimony and exhibits of Kenneth D. Belcher/John B. Wagner, Jr./Jeffrey M. Wood. Following discovery, a technical conference on the updated case was held on May 27, 1999.

On June 1, 1999, the Advisory Staff submitted its Bench Analysis on the accounting order portion of the case. On June 18, 1999, the Company filed the rebuttal testimony of Carroll Lee in the accounting order portion of this case. And on June 24, 1999, the Company took the deposition of OPA consultant Lane Kollen by telephone at the offices of Verrill & Dana, LLP.

On June 10, 1999, the Advisory Staff submitted its Bench Analysis in the rate case portion of this investigation. Following discovery, a technical conference on the Bench Analysis was held on July 13, 1999.

On July 14, 1999, the Commission held a hearing regarding the accounting order portion of the case and held deliberations on July 16, 1999. A final accounting order was issued on September 8, 1999.

On July 28, 1999, all parties submitted surrebuttal testimony and responses to the Bench Analysis. For the Company, Kenneth D. Belcher/John B. Wagner, Jr., David R. Black/Peter E. Dawes, Kenneth D. Belcher/Mark P. Colca, Jeffrey A. Jones, Robert D. King, Carroll R. Lee, Mathieu A. Poulin, and Dr. Robert A. Strong provided

surrebuttal testimony. In addition, Steven Anderson, Richard A. Baudino, and Lane Kollen provided surrebuttal testimony for the OPA. On September 3, 1999, the Public Advocate filed the corrected surrebuttal testimony of its consultant, Lane Kollen.

On August 4, 1999, the Company filed the updated exhibits to the surrebuttal testimony of Robert D. King. On August 13, 1999, Company witness Mr. Poulin filed supplemental surrebuttal testimony correcting an error in capital structure regarding the value of PERC warrants, and Company witnesses David R. Black and Peter E. Dawes filed supplemental surrebuttal testimony regarding interim savings due to the early sale of the Company's generating assets. On September 1, 1999, the Company filed a correction to the interim savings calculation prepared by Peter E. Dawes and Jeffrey A. Jones.

Following discovery, as well as the submission of case management memos on August 26, 1999, hearings were held in this matter on September 9, 10, 13, & 14, 1999.